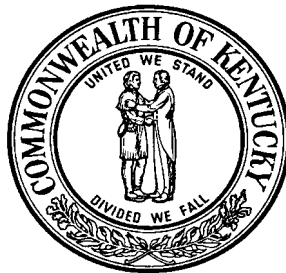


**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
July 04, 2008 Through May 15, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CLINTON COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period
July 04, 2008 Through May 15, 2009

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Clinton County Sheriff for the period July 04, 2008 through May 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,500,808 for the districts for 2008 taxes, retaining commissions of \$103,293 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,395,006 to the districts for 2008 taxes. Taxes of \$220 are due to the districts from the Sheriff and refunds of \$2 are due to the Sheriff from the taxing districts.

Report Comments:

- 2008-01** The Sheriff Had A Deficit Of \$1,294 In His Tax Account
- 2008-02** The Sheriff Should Not Loan Money To The Fee Account From The Tax Account
- 2008-03** The Sheriff Should Deposit Funds Intact On A Daily Basis
- 2008-04** The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account
- 2008-05** The Sheriff Should Distribute Taxes By The Tenth Of The Month Following Collections
- 2008-06** The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 2008 Taxes for the period July 04, 2008 through May 15, 2009. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid for the period July 04, 2008 through May 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01** The Sheriff Had A Deficit Of \$1,294 In His Tax Account
- 2008-02** The Sheriff Should Not Loan Money To The Fee Account From The Tax Account
- 2008-03** The Sheriff Should Deposit Funds Intact On A Daily Basis
- 2008-04** The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account
- 2008-05** The Sheriff Should Distribute Taxes By The Tenth Of The Month Following Collections
- 2008-06** The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The accompanying schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

December 8, 2009

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period July 04, 2008 Through May 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 186,810	\$ 298,217	\$ 1,297,482	\$ 414,379
Tangible Personal Property	22,973	33,488	92,387	109,525
Fire Protection	960			
Increases Through Exonerations	58	93	403	129
Omitted Taxes	134	213	928	296
Franchise Taxes	14,188	20,686	72,269	
Additional Billings	306	469	1,875	1,145
Oil and Gas Property Taxes	3,295	5,260	22,884	7,309
Limestone, Sand and Mineral Reserves	60	96	418	134
Penalties	2,245	3,553	15,061	5,069
Adjusted to Sheriff's Receipt	4	29	(5)	1
Gross Chargeable to Sheriff	<u>231,033</u>	<u>362,104</u>	<u>1,503,702</u>	<u>537,987</u>
<u>Credits</u>				
Exonerations	1,820	2,897	12,589	4,053
Discounts	3,187	4,979	20,558	7,507
Delinquents:				
Real Estate	6,272	10,000	43,507	13,895
Tangible Personal Property	253	369	987	1,145
Total Credits	<u>11,532</u>	<u>18,245</u>	<u>77,641</u>	<u>26,600</u>
Taxes Collected	219,501	343,859	1,426,061	511,387
Less: Commissions *	<u>9,616</u>	<u>14,614</u>	<u>57,042</u>	<u>22,021</u>
Taxes Due	209,885	329,245	1,369,019	489,366
Taxes Paid	209,683	328,787	1,367,605	488,931
Refunds (Current and Prior Year)	<u>195</u>	<u>307</u>	<u>1,357</u>	<u>432</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	<u>\$ 7</u>	<u>** \$ 151</u>	<u>\$ 57</u>	<u>\$ 3</u>

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 SHERIFF'S SETTLEMENT - 2008 TAXES
 For The Period July 04, 2008 Through May 15, 2009
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,064,746
4% on	\$	1,426,062

** Special Taxing Districts:

Library District	\$	3
Health District		147
Extension District		3
Soil Conservation		(2)
		<hr/>

Due Districts and
 (Refund Due Sheriff)

\$	<u>151</u>
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CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

May 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
May 15, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2008 through May 15, 2009.

Note 4. Interest Income

The Clinton County Sheriff earned \$294 as interest income on 2008 taxes. As of December 8, 2009, the Sheriff owed \$161 in interest to the school district and \$133 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Clinton County Sheriff collected \$24,313 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of December 8, 2009, the Sheriff owed \$8,530 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Clinton County Sheriff collected \$1,285 of advertising costs and \$2,795 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of December 8, 2009, the Sheriff owed \$1,285 in advertising costs to the county and \$1,470 in advertising fees to his fee account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Period July 04, 2008 Through May 15, 2009

Assets

Cash in Bank (All Tax Accounts)	\$ 43,395
Deposits in Transit	58,519
Receivables	10,451
Uncollected Receivables-	
Due From 2008 Fee Account	10,000
Overpayment of Commissions to Soil Conservation	<u>2</u>
Total Assets	<u>122,367</u>

Liabilities

Paid Obligations-

 Other Taxing Districts-

State	\$ 18,581
County	7,719
Fire Acres	24
School	52,434
Library	2,708
Health	3,370
Extension	4,310
Soil	1,791
NSF Checks	9,328
Service Charges	7
Tax Commissions Due Sheriff's Fee Account	<u>11,590</u>

Total Paid Obligations	111,862
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Unpaid Obligations-

 Other Taxing Districts-

State	3
County	7
School	57

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 For The Period July 04, 2008 Through May 15, 2009
 (Continued)

Liabilities (Continued)

Unpaid Obligations- (Continued)

Other Taxing Districts- (Continued)

Library	\$	3
Health		147
Extension		3
Advertising Costs Due County		1,285
Interest Due School		161
Interest Due 2009 Sheriff's Fee Account		133
10% Add-On Due 2009 Sheriff's Fee Account		8,530
Advertising Fee Due 2009 Sheriff's Fee Account		<u>1,470</u>

Total Unpaid Obligations	\$	<u>11,799</u>
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Total Liabilities		<u>123,661</u>
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Total Deficit as of May 15, 2009	\$	<u><u>(1,294)</u></u>
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Clinton County Sheriff's Settlement - 2008 Taxes for the period July 04, 2008 through May 15, 2009, and have issued our report thereon dated December 8, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2008-02, 2008-03, 2008-04, 2008-05, and 2008-06 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2008-06 to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement - 2008 Taxes for the period July 04, 2008 through May 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-03, 2008-04, and 2008-05.

The Clinton County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 8, 2009

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period July 04, 2008 Through May 15, 2009

2008-01 The Sheriff Had A Deficit Of \$1,294 In His Tax Account

Because of disallowed expenditures totaling \$38, undeposited receipts totaling \$71 and an uncollected returned check in the amount of \$1,185, the Sheriff had a deficit of \$1,294 in the 2008 tax account.

The Sheriff's office was charged \$38 for overdrawing the 2008 tax account on numerous occasions. This charge is deemed disallowed per Funk v. Milliken, 317 S.W.2d 499 (KY 1958).

The Sheriff turned over all returned checks to the County Attorney and was mostly successful in recollection. The Sheriff was unable to collect one returned check in the amount of \$1,185, but did not change the status of its respective tax bill to "unpaid."

We recommend the Sheriff deposit personal funds of \$1,294 to cover the known deficit in his 2008 tax account. In addition, we recommend the Sheriff mark tax bills as "unpaid" for all returned checks in which recollection efforts are unsuccessful.

We further recommend the Sheriff ensure all commingled moneys are returned to the correct accounts (**See Comment 2008-02**), in order to pay all outstanding liabilities. The Sheriff should deposit personal funds, if applicable, into any account with an insufficient balance in order to ensure all outstanding liabilities are paid.

Sheriff's Response: Will deposit personal funds.

2008-02 The Sheriff Should Not Loan Money To The Fee Account From The Tax Account

The Sheriff engaged in the practice of loaning money from the tax account to the fee account. On November 6, 2008, the Sheriff loaned \$10,000 to his 2008 fee account from the 2008 tax account in order to cover operating expenditures. By year end, funds available in the 2008 fee account were completely spent, and the \$10,000 was not returned to the 2008 tax account.

The receipts of the Sheriff's office appear to be regularly deposited into different bank accounts, which results in the need to "loan" monies from the tax account to the fee account. The Sheriff, because of lack of controls over his office, and lack of oversight has allowed this to happen.

When a lack of control or oversight over record keeping exists, this type of situation is allowed to occur. The possible effects are shortages in various accounts, which may result in the inability to pay required amounts to taxing districts, vendors, etc. Also, the ability to properly budget for operations of the office becomes increasingly difficult.

KRS 134.170(3) states, "Other than for investments and expenditures permitted by KRS 134.140, the Sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected." Additionally, KRS 134.300 requires tax collections to be reported and paid to the taxing districts by the tenth (10th) of the following month. Only the commissions allowable to the Sheriff and such other fees as are due should be transferred to the fee account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period July 04, 2008 Through May 15, 2009
(Continued)

2008-02 The Sheriff Should Not Loan Money To The Fee Account From The Tax Account
(Continued)

We recommend the Sheriff refrain from making loans from the tax accounts to the fee accounts and pay back monies that are due to each account. Furthermore, we recommend the Sheriff immediately implement controls and oversight over his office so receipts are deposited in the appropriate account.

Sheriff's Response: Will transfer monies back.

2008-03 The Sheriff Should Deposit Funds Intact On A Daily Basis

During the course of the audit, we noted that deposits were not made in a timely manner. Our review indicated a total of 121 deposits were made into the 2008 tax account. The auditor found that 73 of these deposits did not clear the bank within three (3) business days. In addition, the auditor noted that nine (9) of the deposits took between one (1) and two (2) months to clear the bank. The auditor also noted penalties totaling \$38 were charged due to instances of the account being overdrawn. **(See Comment 2008-01).**

The Sheriff lacks controls over the deposit process and does not provide adequate oversight in this area.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Also, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

This finding has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff immediately implement controls over the deposit process to assure deposits are made daily to comply with KRS 68.210.

Sheriff's Response: Will correct.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period July 04, 2008 Through May 15, 2009
(Continued)

2008-04 The Sheriff Did Not Distribute Interest Earned On Tax Collections To The School District And His Fee Account

During the course of the audit, we noted that interest earned on the 2008 tax account was not distributed to the school district and the Sheriff's fee account. Based on our computations, we determined that \$161 is owed to the Clinton County School Board and \$133 is owed to the Sheriff's 2008 fee account.

In accordance with KRS 134.140(3) (b) and KRS 134.300 the Sheriff is required to pay to the school districts by the tenth of each month, that part of the investment earnings for the month, which is attributable to the investment of school taxes.

We recommend the Sheriff pay the amounts due, as noted above to the Clinton County School Board and his 2008 fee account. We further recommend that in the future, the Sheriff comply with KRS 134.140(3) (b) and KRS 134.300 by paying the amount of interest due to the school district in a timely manner.

Sheriff's Response: Will issue checks.

2008-05 The Sheriff Should Distribute Taxes By The Tenth Of The Month Following Collections

During the course of the audit, we noted the last month of 2008 tax collections was not distributed to the taxing districts in a timely manner. The auditor noted the taxing districts did not receive their final payments until two (2) months after collection.

KRS 134.300 and KRS 134.320 states by the 10th of each month following the date of collection, the Sheriff must turn over to each taxing district all taxes collected for the district, deducting there from any legal discounts provided by law and any commission to which he is entitled. The Sheriff may be granted an extension for up to 15 days (in five-day increments) for filing his report of state collections if requested in writing and if good cause exists. If an extension request is required for reporting to other districts, the Sheriff must make a written request to the appropriate personnel in each district.

We recommend that all tax collections be properly accounted for and distributed in a timely manner to be in compliance with KRS 134.300 and KRS 134.320.

Sheriff's Response: Will do better.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period July 04, 2008 Through May 15, 2009
(Continued)

2008-06 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Accounting Functions

A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper opens incoming mail, collects tax payments, prepares deposits, prepares daily tax collection journals, and prepares monthly tax reports.

A limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department of Revenue and other taxing districts, which could occur but go undetected.

Additionally, because a lack of adequate segregation of duties existed and because the Sheriff did not provide strong oversight over the office, the following occurred:

- The Sheriff Had A Deficit Of \$1,294 In The 2008 Tax Account
- The Sheriff Did Not Make Deposits In A Timely Manner
- The Sheriff Did Not Distribute Taxes By The Tenth Of The Month Following Collection
- The Sheriff Did Not Distribute Interest Earned To The School Districts And His Fee Account
- The Sheriff Loaned Money To The Fee Account From The Tax Account

A segregation of duties over various accounting functions, such as opening mail, collecting cash, preparing bank deposits, preparing monthly reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involving the opening of mail, collecting and depositing of cash, and preparing the monthly tax reports. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be documented on the appropriate source documents.

Sheriff's Response: Will monitor.

